

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSISON

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In the Matter of:

THE APPLICATION OF COLUMBIA)	
GAS OF KENTUCKY, INC., FOR)	CASE NO.
AUTHORITY FOR THE ISSUANCE)	8831
AND SALE OF PROMISSORY NOTES)	

O R D E R

On May 13, 1983, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application seeking authority to issue and sell to Columbia Gas System, Inc., ("Columbia Gas") \$1,900,000 of Installment Promissory Notes ("Notes") having an interest rate and terms that approximate those of Columbia Gas' next securities sale. In its response to the Commission's Information Request entered May 23, 1983, Columbia stated that the interest rate and terms of Columbia Gas' securities issue should be known by mid July, 1983, and that Columbia would advise the Commission at that time.

On June 30, 1983, the Commission entered an Order stating that it would not give approval of the interest rate and the terms of a securities issue prior to the negotiations for such issue. Columbia was ordered to advise the Commission in writing when the interest rate and terms were known.

On August 10, 1983, Columbia filed a Supplemental Response to Commission Request stating that the Notes which Columbia will issue to Columbia Gas will be for a 15-year

term and will have a 10.5 percent interest rate, based on Columbia Gas' June, 1983, issue of preferred stock. The Supplemental Response also stated that Columbia Gas was planning another issue of preferred stock in August, 1983, and the provisions of that issue should be close to those of the June, 1983, issue, depending on market conditions at the time. Columbia stated that any long-time debt issued prior to Columbia Gas' August issue of preferred stock will carry a 15-year term and a 10.5 percent interest rate. The terms of any long-term debt issued by Columbia subsequent to Columbia Gas' August, 1983, issue of preferred stock will reflect the cost to Columbia Gas of that August issue of preferred stock.

The Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that the proposed issuance and sale by Columbia of \$1,900,000 of its Notes with a 15-year term and a 10.5 percent interest rate is for lawful objects within the corporate purposes of its utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that Columbia be and it hereby is authorized to issue and sell \$1,900,000 of its Notes with a 15-year term and an interest rate no greater than 10.5 percent.

IT IS FURTHER ORDERED that the proceeds from the sale of the securities authorized herein shall be used only for the lawful purposes as set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 19th day of August, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary